

THE BONDS

General

The Bonds will be issuable only as a single term Bond maturing on March 1, 2025 in fully registered form; shall be numbered in such manner as determined by the Bond Trustee in order to distinguish each Bond from any other Bond; shall be in the denomination of \$100,000 each, or multiples thereof, on original issuance, and thereafter shall be in multiples of \$1,000; shall be dated the date of delivery; shall bear interest from said date, payable on September 1, 2005, and on each March 1 and September 1 thereafter; subject to mandatory Bond Amortization Account redemption on March 1 in the years 2006 to 2025, both inclusive; and shall have such other terms as more particularly set forth in form of the Bond.

The Bonds shall bear interest, computed on the basis of a 360-day year, at the Applicable Rate (as hereinafter defined).

The Applicable Rate on any day with respect to which interest on the Bonds is calculated shall be the Regular Rate (defined below), subject to adjustment as specified below or the Taxable Rate (defined below), whichever is applicable ("Applicable Rate"), as follows:

(a) Regular Rate. Except as otherwise provided herein, the interest rate (the "Regular Rate") shall be 6.00%.

(b) Adjustments to Regular Rate. In the event a Determination of Taxability shall have occurred, the rate of interest on each Bond shall be increase to a "Taxable Rate" which shall equal 150% of the Regular Rate, effective retroactively to the date of the Event of Taxability, and thereafter through the Inclusion Period (the period commencing with the date of the Event of Taxability and ending with the date such Bond ceases to be outstanding). The Trustee shall give notice to each Person who was the Holder of each Bond during the Inclusion Period of the occurrence of a Determination of Taxability and within 90 days thereafter, each Holder or former Holder of each Bond shall be paid the Additional Amount such Holder or former Holder shall be entitled to receive with respect to such Bond. "Additional Amount" means that amount of money payable to a Holder or former Holder of any Bond which shall equal interest accrued at the Taxable Rate throughout that portion of the Inclusion Period during which such person held such Bond, reduced by interest accrued at the Regular Rate which was paid to such Holder or former Holder or to any subsequent Holder of such Bond. Such Additional Amount shall constitute additional interest on the Bonds and shall be payable solely from the sources specified in such Bond and in the Bond Indenture.

In each case the Applicable Rate shall be rounded to the nearest one-hundredth of one percent.

Upon the occurrence of an Event of the Default (as defined in the Master Indenture, Bond Indenture, Loan Agreement and Mortgage), interest shall accrue at the following rate (the "Default Rate"):

(1) while the Bonds bear interest at the Taxable Rate, as provided above, a rate which is equal to 200% of the Regular Rate.

(2) while the Bonds bear interest at the Regular Rate as provided above, a rate which is equal to 150% of the Regular Rate.

Notwithstanding the foregoing, the Applicable Rate shall never exceed the maximum interest rate per annum allowed by law.

The principal of the Bonds shall be payable in lawful money of the United States of America at the designated Corporate Trust Office of the Bond Trustee. Payment of the interest on any Bond shall be made to the person whose name appears on the registration books of the Bond Trustee as the Holder thereof as of the close of business on the fifteenth day of the calendar month immediately proceeding the month in which the interest payment occurs (the "Record Date"). Interest shall be paid in lawful money of the United States of America by check or draft mailed to each Holder at the address shown on the Bond Trustee's registration books or, at the option of the Holder of at least \$1,000,000 in aggregate principal amount of Bonds, interest shall be paid by wire transfer to the address filed with the Bond Trustee.

Any such interest not so punctually paid or duly provided for shall cease to be payable to the Holder on the applicable Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest. The Special Record Date will be fixed by the Bond Trustee and notice will be given to the Holders not less than ten (10) days prior to such Special Record Date.

Interest shall be calculated based on a year of 360 days and twelve 30-day months.

Redemption

Optional Redemption. The Bonds are subject to optional redemption prior to their stated maturity, by the Issuer, upon the direction of the Company, from funds deposited for such purpose in the Bond Fund under the Bond Indenture, on the first Business Day of any month, as a whole or in part, in such maturities as are designated by the Company (or if the Company fails to designate such maturities, in inverse order of maturity) and by random selection within a maturity, at the redemption prices set forth below (expressed as percentages of the principal amount to be redeemed) in each case together with accrued interest thereon to the date fixed for redemption:

| <u>Redemption Period</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Date of Issue through February 28, 2006 | 102.0% |
| March 1, 2006 through February 28, 2007 | 101.5% |
| March 1, 2007 through February 28, 2008 | 101.0% |
| March 1, 2008 through February 28, 2009 | 100.5% |
| March 1, 2009 and thereafter | 100.0% |

Mandatory Redemption. The Bonds are subject to redemption prior to their stated maturity, in part, from Mandatory Amortization Installments deposited in the Bond Fund under the Bond Indenture, on any March 1 at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, in the amounts indicated below.

Mandatory Redemption
Payment Dates
(March 1)

2006
2007

Mandatory Amortization
Installments

2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025

* Maturity.

Extraordinary Redemption. (a) The Bonds are callable for redemption prior to maturity in the event of a sale of the System, in whole, on the earliest practicable date after the Company shall prepay in full the Master Notes outstanding under the Master Indenture at a price of 100% of the principal amount of Bonds so redeemed, plus accrued interest to the redemption date, and without premium.

(b) The Bonds shall also be subject to redemption, in whole but not in part, at any time, at a redemption price of 100% of the principal amount of Bonds so redeemed, plus accrued interest to the redemption date, and without premium, if within one year after the occurrence of any of the following events, the Company shall elect to prepay the Loan pursuant to the Loan Agreement:

1. The System shall have been damaged or destroyed to such extent that, in the opinion of the Company expressed in a Company's Certificate filed with the Issuer and the Bond Trustee following such damage or destruction (A) the completion of the System will be delayed for at least six months, (B) it is not practicable or desirable to rebuild, repair or restore the System within a period of six consecutive months following such damage or destruction, or (C) the Company is or will be thereby prevented from carrying on the normal operations of the System for a period of at least six consecutive months; or

2. Title to or the temporary use of all or substantially all the System shall have been taken under the exercise of the power of eminent domain by any governmental authority to such extent that, in the opinion of the Company expressed in a Company's Certificate filed with the Issuer and the Bond Trustee (A) the completion of the System will be delayed for at least six months, or (B) the Company is or will be thereby prevented from carrying on the normal operations of the System for a period of at least six consecutive months; or

3. Any court or administrative body of competent jurisdiction shall enter a judgment, order or decree requiring the Company to cease all or any substantial part of its operations of the System to such extent that, in the opinion of the Company expressed in a Company's Certificate filed with the Issuer and the Bond Trustee, the Company is or will be

thereby prevented from carrying on its normal operations at the System for a period of at least six consecutive months; or

4. As a result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) of competent jurisdiction, the Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Loan Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Issuer or the Company including without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Loan Agreement.

Special Redemption. If the Company exercises its option to prepay the Loan in full, which option shall be exercised (i) in the event of the sale, lease or other disposition of any of the Company's property to any person or (ii) in the event of the sale of all of the equity interests of the Company, if the Company determines, based on an Opinion of Bond Counsel, that unless remedial measures are taken pursuant to any revenue procedure, revenue ruling or regulation of the Internal Revenue Service, the exclusion from gross income of the interest on the Bonds for federal income tax purposes will be adversely affected, which option shall be exercised if the above events occur, all as more fully provided in the Loan Agreement, the Bonds are required to be redeemed in whole on any date, by the Issuer at the direction of the Company, at a redemption price equal to 100% of the principal amount thereof, plus the premiums as set forth with respect to optional redemption, and accrued interest to the redemption date.

Selection of Bonds for Redemption. Whenever provision is made in the Bond Indenture for the redemption of less than all of the Bonds of any maturity, the Bond Trustee, as directed by the Company, shall select the Bonds to be redeemed from all Bonds of such maturity subject to redemption in such manner as may be designated by the Company, or if the Company shall have failed to so designate, in any manner which such Bond Trustee in its sole discretion shall deem appropriate and fair. Such Bond Trustee shall promptly notify the Issuer and the Company in writing of the Bonds or portions thereof so selected for redemption.

Notice and Effect of Redemption. Each notice of redemption shall state (i) the maturities or portions of maturities (in the case of partial redemption) which are to be redeemed, (ii) the date of redemption, (iii) the place or places where the redemption will be made, including the name and address of the Bond Trustee, (iv) the Redemption Price, (v) the CUSIP numbers assigned to the Bonds to be redeemed, (vi) in the case of any Bonds to be redeemed in part only, the amount of such Bonds to be redeemed and (vii) the original dated date, interest rate and stated maturity date of each Bond to be redeemed. Each notice shall also (a) state that if, on the date of redemption, the Bond Trustee holds sufficient moneys therefor, then, on the date of redemption, the Redemption Price, together with accrued interest, if any, shall become due and payable, and that from and after the redemption date interest thereon shall cease to accrue and be payable, and (b) require that on the Redemption Date such Bonds shall be surrendered.

At least thirty but not more than sixty days prior to the redemption date, notice shall be given to the Holders of Bonds designated for redemption by first-class mail, postage prepaid at their addresses appearing on the registration books maintained by the Bond Trustee as of the close of business on the day before the notice is given. A second notice of redemption shall be mailed no more than 60 days after the redemption date to any Holder of Bonds who has not turned Bonds in for redemption within 30 days after the redemption date. Notice shall also be given to each of the Securities Depositories and securities information services designated in the Bond Indenture. Failure to give notice to a Bondholder, or any defect therein, shall not affect the validity of the redemption of any other Bonds.

Any notice of redemption (other than a notice of redemption from Mandatory Sinking Account Payments) may be rescinded by written notice given to the Bond Trustee by the Company no later than five Business Days prior to the date specified for redemption. The Bond Trustee shall give notice of rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of such redemption was given.

Unless rescinded as described in the prior paragraph, notice of redemption having been given, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Bond Trustee, on the redemption date designated in the redemption notice, the Bonds (or portions thereof) called for redemption shall become due and payable at the Redemption Price specified in the redemption notice, interest on the Bonds called for redemption shall cease to accrue, those Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Bond Indenture, and the Holders of those Series shall have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Issuer shall execute and the Bond Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Bond or Bonds of authorized denominations and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Acceleration

Upon the occurrence of certain events of default under the Master Indenture, Bond Indenture, Loan Agreement or Mortgage, including, but not limited to, nonpayment of the principal of or interest on the outstanding Bonds when the same shall become due and payable, the principal of and accrued interest on the Bonds are subject to acceleration. For a description of the Events of Default and the circumstances under which acceleration may occur and other remedies available to the Bond Trustee and the Holders of the Bonds, see "Forms of Master Indenture, Bond Indenture, Loan Agreement and Mortgage" in Appendix A hereto.

Registration, Transfer and Exchange

Upon surrender for transfer of any Bond at the designated corporate trust office of the Bond Trustee together with a written instrument of transfer, duly executed or such Holder's in a form satisfactory to the Bond Trustee, the Issuer shall execute and the Bond Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of any authorized denomination or denominations of the same maturity and for alike in the aggregate principle amount. Bonds may be exchanged at the designated corporate trust office of the Bond Trustee for a like aggregate principal amount of Bonds of any authorized denomination or denominations of the same maturity.

The Bond Trustee in connection with such transfer or exchange shall require the payment, by the registered owner requesting exchange or transfer, of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

THE EXCHANGE OFFER

By the Offer to Exchange, the Company offers to exchange all of the outstanding \$2,965,000 aggregate principal amount of 1995 Bonds upon the terms set forth in the Offer to Exchange and in the

related Letter of Transmittal (which together constitute the "Offer") for a like aggregate principal amount of 2005 Bonds maturing on the same date and year and having the same redemption provisions as the 1995 Bonds. The Company has undertaken the Offer for the purpose of achieving a reduction in debt service and, further, providing for the issuance of indebtedness in the future on a parity with the 2005 Bonds by executing and delivering new basic documents authorizing the issuance of the 2005 Bonds and any future indebtedness. Owners tendering their 1995 Bonds in exchange for 2005 Bonds will, thereby, consent to the new basic documents.

The 1995 Bonds are subject to redemption, at the option of the Company, in whole or in part on the first business day of any month, and in the case of any 1995 Bonds redeemed prior to February 28, 2006, at a redemption price of 102% of the principal amount thereof, plus accrued interest. Any 1995 Bonds not tendered pursuant to the Offer will be redeemed on the earliest redemption date in compliance with the terms of the trust indenture (the "Indenture") dated as of March 1, 1995, between the Authority, as Grantor and First Union National Bank of Florida, as trustee (the "Original Trustee"). Said Original Trustee is now known as Wachovia Bank, National Association.

Owners may tender their 1995 Bonds for exchange, on or before April __, 2005, which is the initial Expiration Date, by delivery of such 1995 Bonds to Wachovia Bank, National Association (the "Depository"), as the depository for the tendering Owners. The Company may extend the Expiration Date for up to 60 days, in the manner described in the Offer. Following the Expiration Date, the 1995 Bonds will be held by the Depository for a period up to 90 days, during which period 1995 Bonds that have been tendered may not be withdrawn. Not later than the end of this 90-day period (the "No-Rescission Period"), which period commences on the Expiration Date, the Company must issue Owners of duly tendered 1995 Bonds, the 2005 Bonds, or the tender of Bonds may be withdrawn or rescinded by the Owners. Following the Expiration Date, if sufficient quantities of 1995 Bonds have been tendered, the Company intends to cause the Authority to issue 2005 Bonds in the same amounts and maturities as the tendered 1995 Bonds to the holders of the 1995 tendered Bonds. The Company will pay for all costs of the tender and exchange from funds that are not derived from the proceeds of a tax-exempt borrowing. If not all 1995 Bonds are tendered, the Company intends to cause the Authority to redeem all outstanding 1995 Bonds, and the Company will pay for all costs of redemption of the untendered 1995 Bonds from funds that are not derived from the proceeds of a tax-exempt borrowing. The purpose of the No-Rescission Period is to enable the structuring of the redemption of the untendered 1995 Bonds to take place in circumstances in which the amount of 1995 Bonds being tendered can definitely be ascertained.

The Company reserves the right, in its sole discretion, to terminate, amend, or withdraw the Offer at any time. Unless the Company has previously withdrawn or amended the Offer, the Company will be obligated to exchange all 1995 Bonds properly tendered, subject only to the conditions set forth in the Offer. One of those conditions is that the Authority issue 2005 Bonds in an amount sufficient to exchange such 2005 Bonds for all tendered 1995 Bonds. The Company reserves the right to waive any and all conditions to its obligation to the exchange of tendered 1995 Bonds.

ANNUAL DEBT SERVICE REQUIREMENTS

Assuming that all outstanding 1995 Bonds are exchanged for Bonds and that the Bonds bear interest at the Regular Rate until their maturity on March 1, 2025, the estimated annual debt service requirements of the Bonds are provided below.

| Period Ending <u>March 1</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Annual Debt Service</u> |
|---------------------------------|--------------------|-----------------|--------------------------------------|
| 2006 | \$65,000 | \$ | \$ |
| 2007 | 70,000 | | |
| 2008 | 76,000 | | |
| 2009 | 82,000 | | |
| 2010 | 88,000 | | |
| 2011 | 95,000 | | |
| 2012 | 103,000 | | |
| 2013 | 111,000 | | |
| 2014 | 120,000 | | |
| 2015 | 129,000 | | |
| 2016 | 140,000 | | |
| 2017 | 151,000 | | |
| 2018 | 163,000 | | |
| 2019 | 176,000 | | |
| 2020 | 190,000 | | |
| 2021 | 205,000 | | |
| 2022 | 222,000 | | |
| 2023 | 240,000 | | |
| 2024 | 259,000 | | |
| 2025 | <u>280,000</u> | | |
| Total | <u>\$2,965,000</u> | <u>\$</u> | <u>\$</u> |

SECURITY FOR THE BONDS

Limited Obligations; No Pledge of Credit

The Bonds are special and limited obligations of the Issuer. No covenant or agreement in the Bonds or in the Bond Indenture and no obligation therein imposes upon the Issuer and no breach thereof shall constitute or give rise to or impose upon the Issuer a general liability or charge upon its general credit or property other than the trust estate created by the Bond Indenture. The Issuer has no power at any time or in any manner to pledge its faith and credit, or the taxing power of any political subdivision or agency thereof to the payment of the principal of, premium, if any, or interest on the Bonds, nor shall any of the obligations of the Issuer be deemed to be obligations of the Authority, the State of Florida or any other political subdivision or agency thereof, and none of the Authority, the State of Florida or any political subdivision or agency thereof shall be liable for the payment of the principal of, premium, if any, or interest on the Bonds. The Issuer has no taxing power.

The Loan Agreement

Pursuant to the Loan Agreement, the Company will agree, among other things, to make loan payments to the Bond Trustee, on behalf of the Issuer, in such amounts and at such times as will be

sufficient to pay, when due, the principal of, premium, if any, and interest on the Bonds and all other amounts due under the Loan Agreement.

The Bond Indenture

Pursuant to the Bond Indenture, the Issuer will assign to the Bond Trustee as security for repayment of the Bonds the following:

- (i) All right, title and interest of the Issuer in and to the Series 2005 Note and all sums payable in respect of the indebtedness evidenced thereby;
- (ii) All right, title and interest of the Issuer in and to the Loan Agreement and the amounts payable to the Issuer thereunder (except for certain rights retained by the Issuer, including the Issuer's rights to indemnification, to receive notices and payment of its expenses); and
- (iii) Any and all other property of every kind, conveyed, pledged, assigned or transferred as and for additional security thereunder by the Issuer or the Company, to the Bond Trustee, including without limitation, funds held by the Bond Trustee in any of the funds established under the Bond Indenture (but excluding any funds held for the payment of rebate pursuant to Section 148 of the Code).

Upon the occurrence of certain "events of default" under the Bond Indenture, the Bonds shall be subject to acceleration in accordance with the provisions of the Bond Indenture.

The Series 2005 Note

To secure the Company's obligations under the Loan Agreement, the Company will issue and deliver the Series 2005 Note pursuant to the Master Indenture, in the aggregate principal amount equal to the principal amount of Bonds issued to the Issuer for assignment to the Bond Trustee pursuant to the Bond Indenture. The Series 2005 Note will be payable in the same amounts and at the same times as the loan payments are due under the Loan Agreement, and such payments on the Series 2005 Note will constitute payment under the Loan Agreement.

The Master Indenture

Notes. The Master Indenture permits the Company to issue Master Notes in addition to the Series 2005 Note and to secure all Master Notes on parity with one another.

Pledged Assets. Each Master Note issued pursuant to the Master Indenture, including the Series 2005 Note, shall be a general obligation of the Company and shall be entitled to the benefits of security of the Master Indenture. To secure payment and performance of all obligations of the Company in respect to the principal and interest on the Master Notes, all payment obligations and all Other Obligations (as such terms are defined in the Master Indenture) the Company pledges, assigns and grants to the Master Trustee a security interest in all of its rights, title and interest in the Pledged Assets. "Pledged Assets" are defined in the Master Indenture to include (a) the Gross Revenues, (b) all other funds held under the Master Indenture, together with any amounts and investments, if any, on deposit in such funds from time to time and all investment income thereon; provided, however, that any Reserve Fund created, established and maintained pursuant to any Supplement shall only secure the Related Indebtedness for which such Fund was created, (c) any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind assigned, pledged or transferred and delivered to the Master Trustee by the Company or by anyone on behalf of the Company with its written consent, as and for additional security for the Secured Obligations, and (d) proceeds of the foregoing. The Company has

covenanted pursuant to the provisions of the Master Indenture, not to create any Liens upon the Pledged Assets, now owned or hereafter acquired by it, other than Permitted Liens. "Gross Revenues" are defined in the Master Indenture to mean all income, fees, rentals, earnings or other charges derived by the Company from the operation of the System, including physical connection charges. "Permitted Liens" are defined in the Master Trust Indenture as:

(i) The Lien on the Pledged Assets in favor of the Master Trustee to secure all Master Notes on a parity basis.

(ii) Liens arising by reason of good faith deposits with the Company in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Company to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges.

(iii) Any non-consensual Lien against the Company so long as such Lien is being contested in good faith and execution thereon is stayed.

(iv) Liens existing on the date of authentication and delivery of the initial Master Note issued under the Master Indenture, provided that such Liens may not be increased, extended, renewed or modified to apply to any Property of the Company not subject to such Lien on such date or to secure Indebtedness not outstanding as of the date of the issuance of the Bonds.

(v) Any Lien in favor of a trustee or lender on the proceeds of Indebtedness prior to the application of such proceeds.

Any Lien subordinate to the Lien described in clause (i) above.

Amount of Indebtedness. The Company may incur Indebtedness by causing the issuance of one or more Master Notes under the Master Indenture or by creating Indebtedness under any other document in accordance with the Master Indenture. The principal amount of Indebtedness that may be so incurred and the number and principal amount of Master Notes securing such Indebtedness are not limited, except as set forth in the Master Indenture and in any Supplement.

Payment. Payment Obligations and Other Obligations with respect to Indebtedness shall be payable in any currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, unless contrary provision is made in the Supplement pursuant to which such Indebtedness is issued, such principal, premium, if any, and interest shall be payable at the Corporate Trust Office or at the office of any alternate paying agent named in any such Indebtedness or in any Related Documents. Unless contrary provision is made in the Supplement to which such Indebtedness is issued or incurred, payments of interest on the Indebtedness shall be made to the Person appearing on the registration books of the Company kept in the Corporate Trust Office of the Master Trustee, as registrar, as the Holder thereof and shall be paid by check or draft mailed to the Holder at his address as it appears on such registration books or at such other address as is furnished to the Master Trustee in writing by such Holder; provided, however, that any Supplement creating Indebtedness may provide that interest be paid, at the request of the Holder, by wire transfer. The foregoing notwithstanding, if the Company so elects, payments on such Indebtedness shall be made directly by the Company, by check or draft delivered to the holders of such Indebtedness or their designees or shall be made by the Company by wire transfer to such holder, in either case delivered on or prior to the date on which such Payment Obligation or Other Obligation is due. Except with respect to Payment Obligations and Other Obligations directly paid, the Company agrees to deposit with the Master Trustee at least 2 Business Days prior to each due date a sum sufficient to pay the principal of, premium, if any, and interest on Indebtedness becoming due. Such money shall, upon the written direction of the Company, be invested as provided in the Supplement or Related Documents pursuant to which the Indebtedness was created. The Master Trustee shall not be liable or responsible for any loss resulting from such investments made in accordance with the terms hereof. Supplements may create such security,

including reserve funds and other funds as necessary to provide for payment or to hold moneys deposited for payment or as security for Indebtedness and the payments due on such Indebtedness and the payments due on such Indebtedness hereunder shall include such additional amounts.

Security; Restrictions on Encumbering Pledged Assets; Payment of Principal and Interest.

(a) Any Master Note issued pursuant to the Master Indenture shall be a general obligation of the Company and shall also be entitled to the benefits and security of the Master Indenture.

(b) To secure the prompt payment and performance of the Secured Obligations, the Company pledges, assigns and grants to the Master Trustee a lien on and security interest in all of its right title and interest in and to the Pledged Assets in each case, except as provided otherwise in the Master Indenture, without preference, priority or distinction, as to lien or otherwise, of any Secured Obligation over any other Secured Obligation, by reason of designation, number, date of the Master Notes issued under any Supplement relating thereto or the date of authorization, issuance, sale, execution, authentication, delivery or maturity of such Master Note, or otherwise, or the date any Supplement is executed, so that, except as otherwise provided herein, all Secured Obligations shall have the same right, lien and privilege under this Master Indenture and shall be secured equally and ratably hereby; it being intended that the lien and security of this Master Indenture shall take effect from the date hereof, without regard to the date of the actual issue, sale or disposition of any Master Note or the incurrence of any Related Indebtedness, as though upon that date all of the Master Notes were actually issued, sold and delivered to purchasers for value.

(c) (i) At least one business day prior to the delivery of the first Master Note, there shall be delivered to the Master Trustee filed copies of financing statements and such other documents as shall be required in the Opinion of Counsel, to perfect the security interest of the Master Trustee in such of the Gross Revenues in which a security interest may be perfected by the filing of a financing statement, control agreement or such other documents in the State of Florida.

(ii) The Company shall also execute and deliver to the Master Trustee from time to time such additional documents and instruments (including amendments or supplements to this Master Indenture) as in the Opinion of Counsel, shall be necessary or appropriate to create or perfect the security interest intended to be created hereunder in the Pledged Assets or to maintain such security interest or the perfection and priority thereof. In particular, the Company covenants that it will, at least ninety (90) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statements as shall, in the Opinion of Counsel, be necessary to comply with applicable law and shall provide to the Master Trustee written notice of such filing. If the Master Trustee shall not have received such notice at least twenty-five (25) days prior to the expiration date of any such financing statement, the Master Trustee shall notify the Company in writing and shall remind the Company of its obligations to prepare and file such continuation statements in a timely manner to assure that the security interest in Pledged Assets shall remain perfected. Notwithstanding the foregoing, the Company authorizes the Master Trustee to file continuation statements on its behalf and without its signature as necessary to perfect or continue the perfection of any security interest provided under the Master Indenture and the Master Trustee shall have no liability for such filings.

(iii) The Company may from time to time pledge additional Property as security for the Secured Obligations by execution of a Supplement containing appropriate granting

language and delivery of such additional documents and instruments as shall be required in the Opinion of Counsel to effectuate such grant and to perfect the liens intended to be created thereby. Simultaneously with such pledge, the Company shall deliver an Opinion of Bond Counsel, if any Related Tax-Exempt Indebtedness shall remain outstanding, to the effect that the pledge of such additional security will not adversely affect the exclusion of interest paid on such Indebtedness from the gross income of the holder thereof.

(d) The Company covenants that it will not pledge or grant a security interest in or permit to exist any Lien on any of its Pledged Assets, except for Permitted Liens.

(e) The Company covenants to promptly pay, or cause to be paid, the Secured Obligations at the place, on the dates and in the manner provided herein, in the Supplement and in the Master Note issued to secure the same according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise and to perform and observe, or cause to be performed and observed, each and every covenant agreement and obligation of the Company contained or incorporated in any Master Note or Supplement.

(f) The Company covenants that, if an Event of Default shall have occurred and be continuing, it will promptly and without any request of the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Revenues until such Event of Default has been cured.

(g) The Company covenants and agrees to fully perform all of its obligations under the Related Documents and to enforce its rights thereunder.

Limitations on Creation of Liens. The Company agrees that it will not create or suffer to be created or permit the existence of any Lien upon Property now owned or hereafter acquired by it other than Permitted Liens.

Limitations on Indebtedness. So long as any Indebtedness is outstanding, and provided that no Event of Default exists (unless cured) with respect to such Indebtedness and all payments due hereunder and under any Supplement are current, the Company will not incur any Indebtedness other than:

(a) Long-Term Indebtedness, if prior to incurrence of the Long-Term Indebtedness the following conditions are met:

(i) There shall have been obtained and filed with the Master Trustee a certificate of an independent certified public accountant: (a) stating that the books and records of the Company relating to the collection and receipt of Gross Revenues have been reviewed by him; (b) stating that the Net Revenues for the most recent Fiscal Year for which audited financial statements are available, equal at least 1.10 times the Maximum Annual Debt Service Requirement on (i) all Long-Term Indebtedness, then outstanding and (ii) the additional Long-Term Indebtedness with respect to which such certificate is made. If desirable, the Net Revenues for such latest Fiscal Year period may be adjusted by the certified public accountants as follows: (a) to reflect for such period changes made in rates, fees, rentals or other charges for the operation of the System during such period; and (b) to reflect any change in such Net Revenues caused by any new customers of the System having been provided service subsequent to the date of commencement of such period and prior to the date of such certification provided for in paragraph (1) above.

(ii) The issuance of additional Long-Term Indebtedness shall further be conditioned on the annual average of Net Revenues, as estimated in writing by the certified public accountants, to be derived by the Company from the operation of the System in each of the 3 Fiscal Years immediately succeeding the estimated date of completion and placing in operation of the project to be financed by the issuance of such additional Long-Term Indebtedness, will equal at least 1.10 times the Maximum Debt Service Requirement on (a) all Long-Term Indebtedness then outstanding and (b) the additional Long-Term Indebtedness with respect to which such certificate is made.

(iii) The Borrower need not comply with the provisions for the issuance of additional Long-Term Indebtedness described above if such additional Long-Term Indebtedness is issued to refund any outstanding Long-Term Indebtedness; provided, the issuance of such additional Long-Term Indebtedness does not result in an increase in the aggregate amount of principal and interest coming due on the outstanding Long-Term Indebtedness in the current and in all subsequent Fiscal Years.

(b) Short-Term Indebtedness, if immediately after the incurrence of such Short-Term Indebtedness and the application of the proceeds thereof, the aggregate Outstanding principal amount of all such Short-Term Indebtedness does not exceed \$250,000.

(c) Non-Recourse Indebtedness, without limitation.

(d) Guaranties of a sum certain; provided that the conditions set forth in this Section are satisfied if it is assumed that the Indebtedness guaranteed is Indebtedness of the Company.

(e) Subordinated Indebtedness, without limitation.

Sale, Lease or Other Disposition of Property. The Company agrees that it will not transfer in any Fiscal Year any of its Property except for transfers:

(i) In return for other Property of equal or greater value and usefulness;

(ii) Upon fair and reasonable terms no less favorable to the Company than would obtain in a comparable arms-length transaction;

(iii) Of Property, the book value of which does not exceed 10% of the net book value of the property, plant and equipment of the Company, as shown on the most recent audited financial statements of the Company, or if such book value is in excess of 10% of the net book value of the property, plant and equipment of the Company, there shall be filed with the Master Trustee a written report demonstrating that the projected Maximum Annual Debt Service Requirement for each of the two full succeeding Fiscal Years immediately following the date of such transfer would not be reduced by more than 20%.

Consolidation, Merger, Sale or Conveyance (a) The Company covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to, any Person unless:

(i) If all amounts due or to become due on any Indebtedness have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on the date of the delivery of such Indebtedness, would not adversely affect the validity of such Indebtedness and the exemption from federal income taxation of interest payable on such Indebtedness if such Indebtedness is Related Tax-Exempt Indebtedness; and

(ii) There shall be filed with the Master Trustee a Certificate of the Company demonstrating that the Borrower, immediately after such merger or consolidation, or such sale or conveyance, would be in compliance with all covenants and conditions of this Indenture.

Rate Covenant. The Company will fix, establish and maintain such rates and will collect such fees, rentals and other charges for the services and facilities of the System and revise the same from time to time, whenever necessary, as will always provide Gross Revenues in each year sufficient to pay 100% of the Cost of Operation and Maintenance, 110% of the Maximum Annual Debt Service Requirement with respect to outstanding Long-Term Indebtedness, and 100% of Other Obligations due under this Master Indenture, any Supplement and any Related Documents. Such rates fees, rentals or other charges shall not be reduced so as to be insufficient to provide Gross Revenues for such purposes. The Company will not reduce its schedule of rates, fees, rentals and other charges unless (a) the Company is not in breach of any covenant or provision of the Master Indenture, (b) all required payments under the Master Indenture, have been made in full, and (c) an independent certified public accountant or consultant certifies that the proposed reduced schedule will provide sufficient Gross Revenues to comply with all covenants and required payments under the Master Indenture.

Covenants as to Corporate Existence and Maintenance of System. *The Company hereby covenants:*

(a) Except as otherwise expressly provided herein, to preserve its corporate or other legal existence and all its rights and licenses to the extent deemed necessary or desirable, in the good faith judgment of its Governing Body, in the operation of its business and affairs and be qualified to do business in any jurisdiction where its ownership of the System or the conduct of its business requires such qualification.

(b) At all times to cause the System to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained herein shall be construed (i) to prevent it from ceasing to operate any immaterial portion of the System, (ii) to prevent it from ceasing to operate any material portion of the System, if in the good faith judgment of its Governing Body, it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same in accordance herewith and within a reasonable time endeavors to effect such sale or other disposition in accordance herewith, or (iii) to obligate it to retain, preserve, repair, renew or replace any part of the System, leases, rights, privileges or licenses no longer used or, in the good faith judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States, the State and the subdivisions thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of the System.

(d) To pay promptly all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or the System.

(e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable.

(f) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon the System or any part thereof or securing any of its Indebtedness.

(g) To procure and maintain all necessary licenses and permits for the ownership and operation of the System and the conduct of its business.

(h) So long as this Indenture shall remain in force and effect, the Company, which is a tax-exempt organization, agrees, so long as all amounts due or to become due on any Related Tax-Exempt Indebtedness have not been fully paid to the holder thereof, to take no action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a tax-exempt organization, which, in the Opinion of Bond Counsel, would result in the interest on any Related Indebtedness which is otherwise exempt from federal income taxation, becoming subject to federal income taxes.

The Company shall not be required to pay any tax, levy, charge, fee, rate, assessment or imposition referred to herein, to remove any Lien required to be removed under this Section, to pay or otherwise satisfy and discharge its obligations, Indebtedness (other than any Payment Obligations or Other Obligations), demands and claims against it or to comply with any lien, law, ordinance, rule, order, decree, decision, regulation or requirement referred to herein, so long as the Company shall contest, in good faith and at its cost and expense, in its own name and behalf, the amount or validity thereof, in an appropriate manner or by appropriate proceedings which shall operate during the pendency thereof to prevent the collection of or other realization upon the tax, levy, charge, fee, rate, assessment, imposition, Indebtedness, demand, claim or Lien so contested, and the sale, forfeiture, or loss of its Property or any part thereof, provided, that no such contest shall subject any Holder or the Master Trustee to the risk of any liability. While any such matters are pending, the Company shall not be required to pay, remove or cause to be discharged the tax, levy, charge, fee, rate, assessment, imposition, Indebtedness, demand, claim or Lien being contested unless the Company agrees to settle such contest. Each such contest shall be promptly prosecuted to final conclusion (subject to the right of the Company engaging in such a contest to settle such contest), and in any event the Company will save all Indebtedness holders, bond trustees and the Master Trustee harmless from and against all losses, judgments, decrees and costs (including reasonable attorneys' fees and expenses in connection therewith) as a result of such contest and will, promptly after the final determination of such contest or settlement thereof, pay and discharge the amounts which shall be levied, assessed or imposed or determined to be payable therein, together with all penalties, fines, interests, costs and expenses thereon or incurred in connection therewith. If the Master Trustee shall notify the Company that, according to an Opinion of Counsel, by nonpayment of any of the foregoing items the Property or any substantial part thereof will be subject to imminent loss or forfeiture, then the Company shall promptly pay all such unpaid items and cause them to be satisfied and discharged.

Insurance. The Company agrees that it will maintain, or cause to be maintained, insurance (including one or more self-insurance or shared or pooled-insurance programs considered to be adequate) of such types and in such amounts as are adequate to protect the System and the Company's Property and its operations.

Insurance, Condemnation and Sale Proceeds Amounts received by the Company as net proceeds with respect to any casualty loss, condemnation awards or as proceeds of sale under the threat of condemnation may be used in such manner as the Company may determine, including, without limitation, applying such moneys to the payment or prepayment of Indebtedness in accordance with the terms thereof and of any pertinent Supplement; provided that if the amount of such net proceeds received exceeds 10% of the net book value of the System, the Company agrees that it will immediately notify the Master Trustee and that it will, within 12 months after the receipt of such net proceeds, apply such moneys only to either the prepayment of Indebtedness or to the repair or replacement of the damaged, destroyed or condemned Property.

The Mortgage

The Company's obligations under the Master Indenture and the payment of the principal of and interest on the Master Notes are further secured by a mortgage of the property pursuant to a Mortgage and Security Agreement dated as of April 1, 2005, from the Company to the Master Trustee. The Mortgage secures future advances and readvances that may subsequently be evidenced by a Master Note. The Mortgage is subject to certain Permitted Liens (as defined in the Master Indenture).

THE COMPANY

Company Background

The Company is a not-for-profit corporation, organized on August 1, 1994, and existing under the laws of the State of Florida. The Company's offices are located at 24 Dockside Lane, Suite 512, Key Largo, Florida 33037. The Company was formed as a cooperative for the purpose of acquiring, constructing, maintaining and operating a central wastewater system for the provision of service to its members and to engage in any activity relating thereto.

The members, residents and businesses of the Ocean Reef Club comprise a large majority of the System's customers and are members of the Cooperative. Utility customers, as members of the Cooperative, are entitled to vote on matters affecting the System, and to participate in the election of Directors. Utility service is provided to members in a nondiscriminatory manner.

Exemption from Federal Income Taxes

In 1995 the Company received an exemption determination from the Internal Revenue Service confirming its tax-exempt status under Internal Revenue Code section 501(c)(12). This section generally provides that a mutual ditch or irrigation company, mutual or cooperative telephone company, or like organization can qualify for tax-exempt status if 85% or more of the income of the company consists of amounts collected from members for the sole purpose of meeting losses and expenses of the operations of the company. Company, a cooperative in which all customers, and only customers, are members, is a "like organization" under Section 501(c)(12).

Management

The Company is administered by a nine member Board of Directors elected by the customers or members. The officers of the not-for-profit Corporation are as follows:

Officers

Alan Goldstein
Bruce Gilbert
David Ritz
Jeff Oeltjen
Patty Jacobson
Suzy Anderson
Rita Greathead
Susie Ptomey

Office

Chairman
Vice Chairman
President
Vice President
Secretary
Treasurer
Director of Accounting
Recording Secretary

David Ritz is the Company's President [BIO TO COME]

Jeff Oeltjen is the Company's Vice President and is responsible for the day-to-day management of the Company including operations, regulatory compliance, customer service and finances. Jeff Oeltjen has over 18 years experience in the water and wastewater business and is licensed as a Professional Engineer in the State of Florida.

Mark Malka is the Superintendent of water and wastewater plants. Mr. Malka has over 30 years in the water and wastewater business and holds Florida Department of Environmental Regulation licenses as a class "C" wastewater system operator and a class "A" water system operator. Mr. Malka is responsible for the day-to-day operation and maintenance of the System.

Rita Greathead is the Company's Director of Accounting. She has over 17 years of experience in accounting and is responsible for the Company's financial statements, budget, rate setting, payables and other fiscal services.

On January 19, 2004 the Company entered into an agreement with Ocean Reef Community Association, Inc. ("ORCA") for the provision of certain management services. ORCA has been intimately involved in the provision of services to residents and guests of the Ocean Reef Club for many years and has extensive knowledge of the Company and the System.

SYSTEM DESCRIPTION

Service Area

The service area of the System consists of approximately 4,000 acres located on the northern end of Key Largo in Monroe County, Florida. Approximately 2,000 acres are dedicated to wilderness and wildlife preservation and will remain undeveloped. Within the service area, wastewater collection, treatment and disposal services are provided to various types of residential and commercial land uses. Virtually all development within the service area is connected to the System. Residential uses consist of larger than average single and multi-family dwellings. Commercial land uses include restaurants, marinas, shopping areas, a school, a medical center, and a golf course. Some new connections are expected as residential and commercial development continues in the service area, although historical growth rates are very low.

The Florida Keys Aqueduct Authority provides potable water service within the Company's wastewater service area.

System Operations

The System is comprised of a wastewater collection and transmission system, a 550,000 gallons per day ("gpd") wastewater treatment plant located on a 1.17 acre plant site, a shallow injection effluent disposal well system and appurtenant facilities. The System currently serves approximately 735 single family, 856 multi-family and 40 commercial units, in the North Key Largo area, processing over 100,000,000 gallons of wastewater annually.

Wastewater is collected for treatment through a collection and transmission system consisting of gravity sewers, manholes, force mains and wastewater lift stations. There are currently 37 satellite lift/pump stations and 375 concrete manholes. The existing collection/transmission system consists of over 89,000 feet of gravity wastewater mains and 28,000 feet of force main throughout the service area.

The treatment plant has a design capacity of 550,000 gpd. Initial screening removes large debris and trash. Waste is then biologically treated through one of two treatment processes: (i) a 250,000 gpd concrete facility manufactured by Marolf which provides treatment through a process of contact stabilization; or (ii) a 300,000 gpd poured-in-place concrete plant which following secondary treatment, wastewater undergoes chlorination. Reject water storage facilities are located on site. Aerobic mixing tanks are used to chemically stabilize the residual byproduct of the treatment process. Residuals are then hauled off-site by a contract operator and land applied at a qualified site. This treatment process results in effluent that meets or exceeds all Florida Department of Environmental Protection ("DEP") permit and rule requirements for this System.

Effluent, the liquid by-product of the treatment process, is disposed of by injection into a series of four Class IV injection wells with a depth of approximately 90 feet, located adjacent to the treatment plant. Each well has been inspected and individually permitted by the DEP. This is the preferred method of effluent disposal on the Island due to limited space, permeable soil conditions, proximity to environmentally sensitive waters and other factors.

Regulatory Approvals

DEP is the primary environmental regulatory agency for the System. The Plant is permitted to operate by the DEP pursuant to Permit No. FLA015009. This operating permit expires January 22, 2009. All plant and line construction is undertaken pursuant to DEP permits, following review of plans and specifications, and completed with professional engineering certification. The effluent disposal system is operated pursuant to its own permits and approvals. The System maintains all necessary regulatory permits to operate and is operating in compliance with those permits.

The rates and charges of privately owned, water and wastewater utilities in Florida are regulated by the Florida Public Service Commission ("PSC"). Individual counties have the option of taking back jurisdiction over water and wastewater utilities from the PSC. A not-for-profit corporation, association, or cooperative providing service solely to members who own or control it is exempt from PSC jurisdiction pursuant to Section 367.022(7), Florida Statutes. The Company qualifies for such an exemption. Monroe County has not exercised its jurisdiction in the area of utility regulation.

Future System Improvements

Pursuant to DEP rule and the Monroe County Growth Management Plan, wastewater service providers are required to meet "advanced wastewater treatment" standards by 2010. In order to meet these standards, it is anticipated that the Company will be required to make certain system improvements including the following: converting the existing aeration basins into membrane tanks, converting a secondary clarifier into a clean in place tank, converting remaining clarifiers to additional chlorine contact and sludge storage, pumps, blowers and appurtenances ("System Upgrades"). The Company expects to file the permit application with DEP for the System Upgrades by January, 2007 and to begin construction of the System Upgrades by January 2008. The current cost estimate for the System Upgrades is \$2,000,000. It is anticipated that the Company will issue additional debt in order to finance the System Upgrade.

As the System Upgrades will benefit all customers, any rate increase required to support repayment of debt incurred for this project will be applied uniformly to all System customers. As all central wastewater systems in the Florida Keys (Monroe County) are required to meet the advanced wastewater treatment water quality standards, it is not expected that the System upgrade will create any competitive disadvantage for the Company.

SCHEDULE OF RATES AND CHARGES

The Company's rates and charges are set forth as follows:

| <u>Residential Customers</u> | | <u>Annual Flat Rate:</u> |
|------------------------------------|--------|--------------------------|
| Single Family Home | | \$ 597 |
| Multi Family Per Unit | | 400 |
| Marina | | 203 |
| <u>Commercial Customers</u> | | <u>Monthly Rate</u> |
| Meter Size: | 5/8" | \$ 116 |
| | 1" | 293 |
| | 1-1/2" | 584 |
| | 2" | 935 |
| | 3" | 1,993 |
| Gallorage charge (Commercial only) | | \$ 4.78 per 1000 gallons |

The Company collects a one-time connection or service availability charge as a condition of providing service in the amount of \$2,400 per unit, or \$9.80 per gallon for commercial customers.

The Company experienced average daily flows over the past year ranging from a minimum of 203,000 gallons per day ("gpd") to a maximum of 600,000 gpd. Due to seasonal nature of the System's customer base, the Company has implemented a flat rate structure to normalize revenue on an annual basis.

Due to excellent payment histories, and lack of historical bad debt expense write-off, the Company has not found it necessary to collect customer deposits.

RESULTS OF OPERATIONS

The principal source of revenue for the Company is service rates and charges collected pursuant to its operation of the System. The Company's operations are audited each year by the Certified Public Accounting firm of McGladrey & Pullen, Ft. Lauderdale, Florida. The Company's audited financial statements for the period ending December 31, 2004 are attached hereto as Appendix "A". The Company's revenue and expenses have been very consistent in recent years and that is expected to continue into the future.

The Company prepares an annual budget for the upcoming fiscal year based on management's recommendations, which is presented to the Board of Directors and made available to the membership. While the Company believes the budget to be representative of future operations, it is dependant on assumptions of future conditions and events which cannot be assured.